



**LOS ANGELES COUNTY  
DEPARTMENT OF MENTAL HEALTH**

**MENTAL HEALTH SERVICES ACT  
HOUSING PROGRAM**

**EXPRESSION OF INTEREST  
September 28, 2015**

**\$5.5 MILLION AVAILABLE FOR  
CAPITAL DEVELOPMENT**

**FIRST PRIORITY WILL BE GIVEN TO PROJECTS LOCATED  
IN SERVICE AREAS 1, 3, 6, 7, AND 8**

**AND**

**SECONDARY PRIORITY WILL BE GIVEN TO PROJECTS REQUESTING \$100,000  
OR LESS PER UNIT FOR CAPITAL DEVELOPMENT**

## **MENTAL HEALTH SERVICES ACT HOUSING PROGRAM**

### **BACKGROUND**

The Mental Health Services Act (MHSA) Housing Program, jointly launched by California Department of Mental Health<sup>1</sup> (State DMH) and the California Housing Finance Agency (CalHFA) in August 2007, provides funding to support capital development and capitalized operating subsidies for supportive housing for individuals with serious mental illness and their families who are homeless. In November 2007, Los Angeles County Department of Mental Health (LACDMH) released an Expression of Interest, inviting interested parties to submit a Letter of Interest in response to the announcement of the availability of funding for capital development and operating subsidies. On June 10, 2008, the Board of Supervisors authorized the Department to enter into an agreement with State DMH permitting the transfer of the Los Angeles County MHSA Housing Program allocation of \$115 million to CalHFA for the administration of the funds. Additional information regarding the MHSA Housing Program is available on the following State Department of Health Care Services (State DHCS) and CalHFA websites, respectively:

Department of Health Care Services<sup>2</sup>

<http://www.dhcs.ca.gov/services/MH/Pages/MHSAHousing.aspx>

California Housing Finance Agency

<http://www.calhfa.ca.gov/multifamily/mhsa/index.htm>

Since the initial investment, of \$115 million, additional funds have been allocated to the MHSA Housing Program over the years along with accumulated interest. To date, LACDMH has committed funding to 42 housing projects, 29 of which are open and occupied with the remaining housing projects in various stages of development. These 42 housing projects are geographically dispersed across the five Supervisorial Districts and the eight Service Areas (SA) and will result in approximately 934 units of permanent supportive housing for MHSA eligible clients.

### **NOTICE**

Through the issuance of this Expression of Interest, LACDMH is seeking eligible developers/borrowers, as defined in the MHSA Housing Program guidelines, to develop permanent, affordable rental-housing units, including shared housing, with supportive services for individuals with a mental illness and/or their families; approximately \$5.5 million will be made available for the acquisition, new construction and rehabilitation of permanent supportive housing; and LACDMH seeks to fund approximately 100-150 additional units of permanent supportive housing.

First priority will be given to projects located in SAs 1, 3, 6, 7, and 8; these areas have the fewest MHSA Housing Program funded projects and/or have been recognized by the Los Angeles Homeless Services Authority as disproportionately under-resourced in regards to Continuum of Care funding as compared to other SAs in Los Angeles. See the charts below that indicate the

---

<sup>1</sup> After the dissolution of the State of California Department of Mental Health, the administration of the MHSA Housing Program was transferred to California Department of Health Care Services.

<sup>2</sup> Same as above

distribution of current projects along with the 2015 Homeless Data by SA and Supervisorial District.

**Investment of MHSA Housing Program Funds by Supervisorial District**

Supervisorial Districts	Number of Projects	Local Funding Commitments	Percentage of Committed Funding	2015 Homeless Data
1	8	\$ 12,678,228	11%	22.6%
2	12	\$ 56,890,836	49%	31.8%
3	12	\$ 31,917,445	27%	19.6%
4	5	\$ 10,959,813	9%	12.9%
5	4	\$ 4,800,521	4%	13.1%

**Figure 1 Committed Funds as of October 1, 2015**

**Investment of MHSA Housing Program Funds by Service Area**

Service Area	Number of Projects	Local Funding Commitments	Percentage of Committed Funding	2015 Homeless Data
1	1	\$ 2,143,371	2%	6.4%
2	9	\$ 23,249,003	20%	12.2%
3	2	\$ 2,000,000	2%	8.4%
4	11	\$ 47,749,200	41%	26.3%
5	3	\$ 4,523,442	4%	9.6%
6	8	\$ 23,667,696	20%	16.9%
7	2	\$ 2,954,318	3%	8.1%
8	5	\$ 10,959,813	9%	12.1%

**Figure 2 Committed Funds as of October 1, 2015**

Secondary priority will be given to projects with higher levels of leveraged funding as demonstrated by requesting \$100,000 or less per unit for capital. Any request for capital funding significantly below \$100,000 per unit will be given serious consideration regardless of its geographical location. However, if a capital request is funded at significantly below \$100,000, the developer/borrower may not request additional funding, at a later date, that will increase the original requested cost per unit. Developers/borrowers must meet eligibility criteria, as defined in the MHSA Housing Program guidelines to receive funding.

LACDMH will accept Letters of Interest (LOI), as described more fully below, beginning on September 28, 2015 and continuing until the LACDMH determines that it has a sufficient number of Letters of Interest for proposed projects to exhaust all available funds. All LOIs submitted on or before October 28, 2015 (Due Date) will be reviewed at the November 5, 2015 MHSA Housing Advisory Board meeting which will result in funding recommendations to the Department.

Each proposed project will be reviewed to determine whether the project meets the first and/or secondary priorities set forth in this Expression of Interest; proposed projects meeting the first and/or secondary priorities will be reviewed for consistency with the established funding principles as stated in Section I or II. Projects that do not meet the two stated priorities will be considered only if funding remains after reviewing projects that meet the two stated priorities. For more details regarding the MHSA Housing Program, guidelines, including the target population, refer to the State DHCS website noted above. As specified in the program guidelines, developer/borrower will be required to comply with State DHCS data collecting and reporting requirements.

It is anticipated that the LACDMH will receive a sufficient number of LOIs for proposed housing projects by the Due Date, 2015 to obligate the entire \$5.5 million available. However, if there are funds remaining, the Expression of Interest will remain open and LACDMH will accept LOIs after the Due Date. Once the funds are exhausted, the Expression of Interest will close and no further LOIs will be accepted.

For purposes of this Expression of Interest, the LOI shall consist of the completion of the attached document (See Attachment I) in its entirety. Incomplete LOIs and/or LOIs that are not consistent with program guidelines, as determined solely at the discretion of LACDMH, will be rejected. If a LOI is rejected, the respondent may resubmit a LOI, and providing the corrected document is received prior to the Due Date, it will be reviewed at the November 5, 2015 MHSA Housing Advisory Board meeting. The LOI affords each developer/borrower an opportunity to provide a brief description of the proposed housing project, including but not limited to the following areas:

- Target Population
- Proposed Location of Project(s)
- Type of Housing & Number of Units
- Relevant Experience of Project Sponsor and/or Developer
- Roles & Responsibilities of Collaborative Partners
- Leveraging Sources
- Supportive Services Plan

LACDMH is seeking projects that are consistent with the following funding principles:

#### **SECTION I: FUNDING PRINCIPLES FOR RENTAL UNITS:**

1. Prioritize proposals that have the highest degree of readiness, which at a minimum would include site control and a financial plan for all pre-development and construction costs and permanent financing.

Although the planning, zoning and other entitlements necessary to obtain a building permit, State and Federal environmental clearances as applicable, and Article XXXIV compliance will be considered, these due diligence issues will not disqualify the project for funding. However, these issues can be a determining factor when there are insufficient funds to accommodate the received requests for funding.

2. Prioritize projects that serve LACDMH MHSA eligible consumers with incomes that are lower than 30% of the Area Median Income.

3. Prioritize proposals with an existing funding commitment for operating subsidies. Secondary consideration will be given to proposals that have formally submitted requests for operating subsidies and are pending approval.
4. Prioritize proposals with local funding commitments—e.g., from the Homeless Prevention Initiative, from any of the 88 cities in Los Angeles County, and/or from local foundations, business organizations, and other local sources willing to offer funding for supportive housing particularly those projects that demonstrate operating subsidies as a funding commitment.
5. Prioritize projects that propose to serve DMH MHSA eligible consumers who are chronically homeless over projects who propose to serve the same target population who are homeless or at-risk of homelessness.
6. Prioritize projects that are geographically dispersed by funding projects located in diverse areas throughout the County.
7. Prioritize the option of increasing the current funding cap per unit for capital development and operating subsidies for projects in areas of the County with limited supportive housing.
8. Prioritize projects that do not contribute to a net loss of affordable housing units through the displacement of moderate or low-income residents.
9. Prioritize projects that have a correctly formatted draft service plan consistent with program guidelines.

## **SECTION II: FUNDING PRINCIPLES FOR SHARED HOUSING:**

1. Prioritize projects that serve DMH MHSA eligible consumers with incomes that are lower than 30% of the Area Median Income.
2. Prioritize proposals with an existing funding commitment for operating subsidies. Secondary consideration will be given to proposals that have formally submitted requests for operating subsidies and are pending approval.
3. Prioritize proposals with local funding commitments—e.g. through the NSP from any of the 88 cities in Los Angeles County, the former Community Redevelopment Agencies, and/or from local foundations, business organizations, and other local sources willing to offer funding for supportive housing particularly those projects that demonstrate operating subsidies as a funding commitment.
4. Prioritize projects that propose to serve DMH MHSA eligible consumers who are chronically homeless over projects that propose to serve the same target population who are homeless or at-risk of homelessness.
5. Prioritize projects that are geographically dispersed by funding projects located in diverse areas throughout the County.
6. Prioritize projects that do not contribute to a net loss of affordable housing units through the displacement of moderate or low-income residents.
7. Prioritize projects with developers that have experience in developing supportive housing and a service provider with a track record of operating shared housing.

8. Prioritize projects that have a correctly formatted draft service plan consistent with program guidelines and formatted accordingly including tenant selection and intake plans, preliminary list of house rules, and home-sharing lease agreements at the time of the submission of the Letter of Interest.
9. Prioritize projects that are within ½ mile of supportive services, public transportation, full service grocery stores, recreation, and other public amenities.
10. Prioritize projects that include architectural amenities such as air conditioning and/or ventilation and individualized locked storage especially in the kitchen areas.

## **SUBMISSION PROCESS**

For each proposed project, interested parties are to provide an original LOI. Please note there are separate LOI forms for the shared housing and rental unit components of the MHSA Housing Program. In addition to a cover letter, the LOI shall not exceed 14 pages including the attached four (4) page LOI document and 10 additional pages if necessary, with one (1) inch margins and using font of Arial 12. LOIs should be submitted to:

Reina Turner, Division Chief  
Los Angeles County Department of Mental Health  
Housing Policy and Development  
695 South Vermont Avenue, 10<sup>th</sup> Fl  
Los Angeles, California 90005

LACDMH will post this notice, with instructions and details of the submission process, on its website, [www.dmh.lacounty.gov](http://www.dmh.lacounty.gov) on September 28, 2015. Any amendments to this notice will be posted on the website as indicated above. Questions regarding this notice or any future amendments should be directed to Reina Turner at (213) 251-6558 or at [rturner@dmh.lacounty.gov](mailto:rturner@dmh.lacounty.gov).

This notice is not a competitive solicitation offered by the County of Los Angeles or LACDMH. Acceptance of a LOI by LACDMH is not a guarantee that LACDMH will support a particular application for MHSA Housing Program funding. LACDMH is not liable for costs incurred in the preparation of responses to this request. It reserves the right to issue supplementary information or guidelines related to this request. In accordance with the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, it is the policy of LACDMH to assure equal opportunity to all persons in the award and performance of any contract, without regard to race, color, sex, religion, national origin, ancestry, age, marital status, or disability.

## **APPLICATION PROCESS**

The MHSA Housing Advisory Board (Advisory Board) will review the LOIs in accordance with the priorities indicated. Typically, LOIs received by the last Wednesday of each month will be reviewed by the Advisory Board during its next regularly scheduled meeting, which is typically held the first Thursday of each month. If the Advisory Board is unable to review all of the LOIs due to the number received, those letters that could not be reviewed will be reviewed at the next scheduled or called meeting. The Advisory Board will determine whether the LOIs is consistent with the criteria set forth in this or future public notifications.

For this Expression of Interest, all LOIs submitted on or before October 28, 2015 will be reviewed on November 5, 2015. It is anticipated that the Department will receive a sufficient number of proposals during this period to obligate the entire \$8.5 million available. However, if there are funds remaining, the Expression of Interest will remain open.

LACDMH will notify the project sponsor of the results of the review of their project. If the proposed project fails to meet minimum criteria and/or funding priorities, the project sponsor may resubmit the LOI correcting any such deficiencies. If the proposed project is recommended for funding, LACDMH will invite the project sponsor to further develop the housing project concept in collaboration with LACDMH.

Once the project concept has been fully developed, LACDMH will post a summary of the proposal along with the supportive services plan on its website, [www.dmh.lacounty.gov](http://www.dmh.lacounty.gov), for a thirty-day public comment period. LACDMH will review and summarize public comments, including the actions taken to address any issues raised. This will be submitted to State DHCS along with the full application and/or components of the application. The project sponsor will be asked to submit selected sections of the application to LACDMH for review and will be notified of the results. If the project does not meet threshold requirements, LACDMH will not be liable for any costs incurred in the preparation of initial or any subsequent submittals.

For Rental Housing Developments, LACDMH will invite the project sponsor to submit the full universal application. Included in the application is a form signed by the Director of Mental Health acknowledging support of the project and a commitment to ensure that individuals housed in units funded through the MHSA Housing Program will: 1) be clients of DMH; 2) meet the eligibility requirements of the targeted population; and 3) offered mental health services. This will be submitted to CalHFA and State DHCS for review and approval.

Shared Housing Developments have the two options to submit a universal application – 1) project sponsors may submit the entire universal application at one time; or 2) the project sponsor may submit designated sections of the universal application in two separate phases. The first phase shall consist of Section C (development partners), Section D (Service Plan and related materials) and documentation that the public comment period was completed along with a request for the loan and when applicable, a request for an operating subsidy. If approved, CalHFA will issue a conditional commitment letter for funding in advance of the site selection. This approval can include multiple sites.

The second phase of the process (for shared housing projects only) shall consist of Section A (the Shared Housing Application), Section B (supplemental property information) and a letter from LACDMH approving the site or sites. This information will be submitted to CalHFA and State DHCS once the property is selected, and subject to a purchase and sales agreement. Upon receipt and approval of the last two sections, CalHFA will underwrite the loan and subsidy request when applicable.

## **TIMELINE**

Due to upcoming changes in the MHSA Housing Program, all of the remaining MHSA Housing Program funding must be obligated in contracts with CalHFA by May 31, 2016. DMH will make funding commitments through this Expression of Interest by November 30, 2015. Full universal applications must be submitted to CalHFA by March 1, 2016. In order to meet these deadlines, approved requests for capital funding must adhere to the following timeline or jeopardize their local commitment of MHSA Housing Program funds.

ACTION	DEADLINE TO DMH	DEADLINE TO CALHFA
Submission of Supportive Services Plan for Review	December 19, 2015	
Submission of Supportive Services Plan for Posting	January 19, 2016	N/A
Submission of Universal Application	February 19, 2016	March 1, 2016

If the borrow/developer is unable to submit a supportive services plan by close of business on December 19, 2015, LACDMH will rescind its funding commitment of MHSA Housing Program funds.